

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Broadband, Policy and Analysis Branch**

**RESOLUTION T-17452
September 11, 2014**

R E S O L U T I O N

**Resolution T-17452 Authorizes Up to Ten Percent Matching Funds from the
California Advanced Services Fund for Federal Communications Commission
Rural Broadband Experiments in California**

I. SUMMARY

This Resolution authorizes up to ten percent in matching funds from the California Advanced Services Fund (CASF) Infrastructure Grant Account for projects approved under the Federal Communications Commission (FCC) Rural Broadband Experiments (Experiments) in California. This resolution pre-authorizes CASF monies for any California projects that the FCC selects and provides for such projects to be subject to the FCC Rural Broadband Experiments rules, not the CASF program rules except as noted in this Resolution. California applicants interested in participating in these Experiments must file with the FCC by October 14, 2014. The funds would be provided as ten percent match per project, which the California Public Utilities Commission (Commission) will contribute if the FCC allocates funds to California for the Experiments. The CASF match is a discretionary option available to eligible California entities interested in the FCC Experiments. If no federal funds are directed towards California, then this Resolution would not apply.

II. BACKGROUND

A. CASF Program

On December 20, 2007, the Commission in Decision (D.) 07-12-054 established the CASF program as a two-year program to provide funds for the deployment of broadband infrastructure in unserved and underserved areas in California. On September 25, 2010,

Governor Schwarzenegger signed Senate Bill (SB) 1040,¹ which codified the CASF program and expanded it to include three accounts: (1) the Infrastructure Grant Account, (2) the Consortia Grant Account, and (3) the Revolving Loan Account. The latter two accounts are intended to address the needs that were unmet under the original CASF program. Specifically, the purpose of the Revolving Loan Account is “to finance capital costs of broadband facilities not funded by a grant from the Broadband Infrastructure Grant Account.”² SB 1040 also expanded the CASF fund from \$100 million to \$225 million, adding \$100 million to the Infrastructure Grant Account and allocating \$10 million and \$15 million to the Consortia Grant Account and the Revolving Loan Account, respectively.³

On February 1, 2012, the Commission approved D.12-02-015 to implement new guidelines for the Infrastructure Grant and Revolving Loan Accounts, which include:

- A maximum grant award of 70 percent for unserved areas and 60 percent for underserved areas;
- A definition of an underserved area, “where broadband is available, but no wireline or wireless facilities-based provider offers service at advertised speeds of at least 6 megabits per second (Mbps) downstream and 1.5 Mbps upstream (6 Mbps /1.5 Mbps);” and
- A Revolving Loan Program to provide supplemental financing for projects also applying for CASF grant funding (up to 20 percent of costs, maximum of \$500,000).

On October 3, 2013, Senate Bill 740 (SB 740) was approved. SB 740 made the following changes to the CASF program:

- A program goal to approve funding for infrastructure projects, by no later than December 31, 2015, that will provide broadband access to no less than 98 percent of California households.⁴
- Authorization for the Commission to collect an additional \$90 million which will be deposited into the Broadband Infrastructure Grant Account, supplementing the \$200 million previously authorized for CASF broadband infrastructure grants.

¹ Stats. 2010, Ch. 317, codified at Public Utilities (P.U.) Code § 281.

² P.U. Code § 281(g).

³ P.U. Code § 281(d).

⁴ SB 740 did not specify a service status or metric to determine when households have “broadband access.” However, in D.12-02-015, the Commission defined “served” as broadband Internet service at advertised speeds of 6 mbps downstream and 1.5 mbps upstream and determined that the goal of the CASF is to increase the availability of high-speed communications (broadband) in areas of California that are currently unserved or underserved.

- Entities that are not a telephone corporation became eligible to apply to participate in the CASF program to provide broadband access to unserved or underserved households as long as they comply with program requirements, which include the following.
 - Provide last-mile broadband access to households unserved by existing facilities-based providers and only provide broadband access to unserved or underserved households as defined in D.12-02-015.
 - Existing facilities-based providers must have an opportunity to demonstrate that they will upgrade existing service within a reasonable timeframe.
 - A local government agency may also be eligible for infrastructure grants if their project is for unserved households or businesses, there has been an open application process, and no other eligible entities apply.⁵

On June 26, 2014, following the passage of SB 740, the Commission adopted Resolution T-17443 to implement new timelines for applications for CASF Infrastructure Grants and Loans, specifying how and when local government agencies and non-telephone corporations may apply pursuant to SB 740. Under the new schedule, the first round of new applications will be due on December 1, 2014. Resolution T-17443 also describes how the Commission will provide existing facilities-based providers with a “right of first refusal.” Additionally, the Resolution identifies “priority areas” for broadband infrastructure deployment, which broadband providers are encouraged to target in their CASF applications.⁶

B. FCC Rural Broadband Experiments

In its January 2014 *Tech Transitions Order*,⁷ the FCC adopted an Experiments – the so-called Rural Broadband Experiments – to use Connect America Fund (CAF) high cost support monies in the CAF reserve account to test how tailored economic incentives can advance the deployment of wireline and wireless next generation networks in rural, high-cost areas, including Tribal lands. The FCC requested that entities interested in participating in the Experiments file an expression of interest by March 7, 2014. On February 19, 2014, in order to encourage California entities to participate in the Experiments, the Commission held an all-party meeting to discuss and help interested

⁵ SB 740 (Padilla) Stats. 2013 Ch. 522, amending Cal. Pub. Util. Code § 281.

⁶ Resolution T-17443, at 1.

⁷ See *Technology Transitions et al.*, GN Docket No. 13-5 et al., Order et al., 29 FCC Rcd 1433.

parties understand the FCC's Experiments proposal and to encourage California entities to file expressions of interest with the FCC. The FCC received over 1,000 expressions of interest requesting \$11 billion in funding nationwide, including some expressions of interest from California.

On July 14, 2014, the FCC released a further order in this proceeding adopting a \$100 million budget for the program and providing more detail regarding how entities would be chosen from among the applicants, as well as further participant requirements.⁸ The FCC expects these Experiments to provide critical information regarding which and what types of parties are willing to build networks that will deliver services that exceed current cost-effectiveness and other performance standards. The FCC's goal is to advance implementation of the CAF and to quickly learn about various technologies in different geographic areas to inform policy issues regarding universal service access in rural high cost areas during technology transitions. The Experiments are structured to be a cooperative process with other governmental entities in order to advance shared objectives of ensuring access to broadband services. There is a \$100 million budget for funding Experiments in price cap areas focused on bringing robust, scalable broadband networks to residential and small business locations in rural high cost and extremely high-cost areas communities that are not served by an unsubsidized competitor that offers voice and Internet access delivering at least 3 Mbps downstream/768 kbps upstream. Satellite providers are eligible to apply for extremely high cost locations but must demonstrate that they can provide voice service that has a Mean Opinion Score (MOS) of four or greater.

The FCC will provide project recipients with ten years of recurring support in 120 equal monthly installments, rather than one-time support.⁹ Entities must be designated as eligible telecommunications carriers (ETCs) to receive the funding. Entities need not be ETCs at the time they initially submit their formal proposals, but they must obtain ETC designation within 90 days after being identified as winning bidders for the funding

⁸ *Connect America Fund et al.*, Report and Order, WC Docket No.10-90 et al.; (FCC 14-98), rel. July 14, 2014. (CAF R&O)

⁹ The FCC will offer an accelerated disbursement opportunity for winning bidders that commit to deploying to at least 25 percent of locations within the first 15 months. The FCC will advance 30 percent of support upfront for entities that elect this option; the remaining 70 percent will be provided in 120 equal monthly installments over the 10-year term. Parties that elect this option must obtain a Letter of Credit for the 30 percent advance payment before funding is authorized.

award.¹⁰ The FCC deadline for applicants to submit Experiments applications is October 14, 2014. See Attachment 1 for a summary of the FCC's Experiments and project selection process.

III. DISCUSSION

This Resolution authorizes CASF funds to match up to ten percent of federal funding for the FCC Experiments in California as a means to further the goal of providing broadband access in unserved areas of the State.¹¹ While there is no guarantee that the FCC will fund a project in California, the Commission pre-approves CASF matching funds should the FCC select California projects for federal funding. Given that the FCC seeks cost-effective projects relative to the federal funding contribution, a commitment of matching funds from California may make our state projects more competitive because it will lower the federal draw. Providing this up-front matching fund commitment to the FCC Experiments in California is reasonable for the reasons further discussed below.

A. Interrelated Purposes of the CASF and the FCC Experiments

The CASF was established with the overarching purpose of promoting the widespread availability of advanced services through deployment of broadband infrastructure, in order to offer access to the tremendous opportunities for consumers, technology providers, and content providers. Beyond building broadband infrastructure, the ultimate goal of the CASF program is to increase the adoption of broadband.¹² Further, by encouraging the deployment of advanced communications services in unserved and underserved regions of California, the CASF promotes economic growth, job creation, and the substantial social benefits of advanced information and communications technologies.¹³ The CASF program thereby advances universal service policies aimed at

¹⁰ However, a waiver of this deadline may be appropriate if a winning bidder is able to demonstrate that it has engaged in good faith to obtain ETC designation, but has not received approval within the 90-day timeframe. For purposes of this Experiments, if after 90 days a state has failed to act on a pending ETC application, an entity may request that the Commission designate it as an ETC, pursuant to section 214(e)(6). See CAF R&O at ¶ 22 and 23.

¹¹ California's fair share of the FCC Rural Broadband Experiment funding is roughly estimated as 10% (\$1 million) of the \$100 million national budget, noting that there is no guaranteed amount for California and the portion may be less or more.

¹² D.12-02-015, Decision Implementing Broadband Grant and Revolving Loan Provisions, at 3.

¹³ See Pub. Util. Code § 281.

bridging the “digital divide” as articulated in Public Utilities (P.U.) Code §§ 709(c) and (d).¹⁴

The FCC Experiments began in January 2014 to test how tailored economic incentives can advance the deployment of next generation networks, both wireline and wireless, in rural, high-cost areas, including Tribal lands.¹⁵ The FCC is particularly interested in how States, localities, Tribal governments, and other non-federal governmental bodies can provide assistance, through matching funds, in-kind contributions or other regulatory approvals and permits, to improve the business case for deployment of next generation networks. Selected projects will be monitored for best practices in how coordinated governmental action can improve the business case for the delivery of broadband services in rural, high cost areas.

Thus, in addition to the shared goals of deploying advanced communications technologies and networks to bridge the digital divide, both the CASF and the FCC Experiments leverage resources across communities and bring stakeholders together to improve the delivery of broadband services in unserved rural areas.

B. ARRA/CASF Experience

The Commission has experience working with federal funding partners towards broadband deployment and adoption goals. In 2009 and 2010, the Commission participated with agencies involved in the American Recovery and Reinvestment Act (ARRA) that appropriated \$7.2 billion for grants and loans to support broadband deployment on a national level.¹⁶ The ARRA broadband grant program was designed to spur economic stimulus to the national economy while advancing other important technological and social goals, including increasing the levels of high-speed communications subscribership or adoption in low-income, unemployed, rural, aged and otherwise vulnerable communities. The ARRA program was also designed to deploy broadband facilities for public safety agencies, and to stimulate broadband demand,

¹⁴ The California Emerging Technology Fund (CETF) has set a goal of broadband access for at least 98percent of households and 80percent adoption by 2015 and 90percent by 2020. Both CETF and CASF are promoting broadband deployment in areas of California and aim at bridging digital divide.

¹⁵ Technology Transitions et al., GN Docket No. 13-5 et al., Order et al, 29 FCC Rcd 1433 (2014).

¹⁶ D.09-07-020 at 1 (noting that “[o]f the total \$7.2 billion, the Rural Utility Service (RUS) is responsible for \$2.5 billion for loans, loan guarantees, and grants. The National Telecommunications Information Administration (NTIA) is responsible for \$4.15 billion for broadband deployment, adoption, and mapping, and another \$650 million related to the digital television transition.”)

economic growth, and job creation.¹⁷ The Commission worked with federal entities including the U.S. Commerce Department's National Telecommunications and Information Administration (NTIA), in consultation with the FCC, as well as the U.S. Department of Agriculture Rural Utilities Service (RUS) to provide CASF matching grants in coordination with the ARRA program.

In D.09-07-020, the Commission adopted an expedited schedule and plan for filing, review, and approval of broadband infrastructure grant requests under the CASF program generally designed to coordinate with the funding windows under the ARRA process. The Commission set the expedited review and processing of CASF applications in order to ensure that applicants are able to utilize the matching funds provided by the CASF program to support their ARRA funding requests, and thereby maximizing the potential synergies in the review and approval process for project funding through both state and federal programs.¹⁸ The approach employed for CASF/ARRA projects, however, will not work for the FCC Rural Broadband Experiments because the timelines are much shorter. The Commission simply does not have sufficient time to allow for the filing, review, and approval of CASF project proposals prior to the FCC Experiments application deadline of October 14, 2014. As set forth in Resolution T-17443, the Commission will take CASF applications on a rolling basis beginning on December 1, 2014. Thus, given this timing constraint, in order to enable California to leverage CASF funding for the FCC Experiments, the Commission deems it reasonable to support the projects selected by the FCC with up to a ten percent match from the CASF Infrastructure Grant Account.

C. California May Benefit By Matching Federal Funding

A primary motivation for this Resolution is the benefit of increasing California's progress towards achieving the goal of approving funding for infrastructure projects by December 31, 2015, that will provide broadband access to no less than 98 percent of households in California.¹⁹ Providing matching funds to the FCC's Experiments is an opportunity for testing innovative approaches to filling digital gaps in rural California as well as gaining deeper understanding of the viability of alternative technologies and network designs for unserved areas. Participating in the FCC Experiments may also provide the Commission

¹⁷ D.09-07-020 at 2.

¹⁸ D.09-07-020 at 7-9.

¹⁹ P.U. Code § 281(b)(1).

with insights on CASF infrastructure deployment approaches, such as leveraging interagency coordination in unserved rural areas.

By providing up to ten percent in matching funds for each project that becomes an FCC Experiment, California may gain its fair share of federal funding (an estimated \$10 million based on population) for broadband to unserved areas of the state.²⁰ State matching funds may be important for participating in the Rural Broadband Experiments because the FCC has identified *cost-effectiveness* as the core criterion for selecting projects that fit into the geographic and technological parameters. The Commission expects that FCC Experiments applications from California will be more attractive with CASF matching funds to reduce the federal contribution and leverage funding across agencies.²¹ It is also possible that some federal applicants from California may prefer to forego CASF matching funds for any number of reasons. Thus, the Commission views the CASF match as a discretionary option available to eligible California entities interested in the FCC Experiments. Such interested applicants should reference this resolution in their application to the FCC and explicitly reduce their federal contribution request up to ten percent to increase the projects' federal draw cost-effectiveness relative to the total projects' costs.

D. Implementation

This Resolution exempts projects that the FCC may fund with CASF Infrastructure Grant Account matching funds from the CASF program requirements except as discussed below. FCC Experiments funded with CASF matching funds would instead be subject to the FCC's regulatory procedures, and the FCC would be responsible for ensuring those are met. For those California projects that the FCC approves, the Commission will provide up to ten percent in matching funds from the CASF program.

However, though FCC regulatory procedures will dominate CASF rules, the Commission will enforce some requirements. For example, in terms of CASF payments, we will retain

²⁰ Note that there is no guarantee that using CASF monies as match for federal monies would not result in fewer dollars to California (e.g., the FCC may fund \$10 Million in California projects without matching funds, whereas they may provide \$9 Million if the state contributes \$1 Million).

²¹ This is consistent with directive in the proposed Senate Bill 1364 (Fuller) as amended on July 1, 2014, which revises P.U. Code § 270(c) and to state: "The commission, in administering the universal service program funds listed in subdivision (a), and in administering state participation in federal universal service programs, is encouraged, consistent with the state's universal service policies and goals, to **maximize the amount of federal funding to California participants in the federal programs.**" (Emphasis added).

the reimbursement process currently in place for the CASF Infrastructure Grant Account, which allows payment to CASF recipients on a progress billing basis at 25%, 50%, 75%, and 100% of project completion with supporting invoices and other documentation showing the expenditures incurred for the project. An FCC Experiment/CASF fund recipient may seek payment of the 10% matching fund from CASF based on the project's construction milestones and must complete all construction activity within five years. Payment requests should be submitted to the Director of the Communications Division.

The CPUC will also require that in addition to the payment process and materials described above, at the time of their first payment request, FCC Experiments/CASF fund recipients must submit the following information:

- Amount of the approved FCC support and payments to date;
- Copy of the FCC approval and supporting documentation filed as required by the FCC;
- Proof of status as an eligible telecommunications carrier (ETC);
- Provide the Proponent's Environmental Assessment (PEA) as proof of compliance with CEQA requirements;²²
- Annual and Interim Reports filed with the FCC to date; and
- Notarized Affidavit that all the representations made in the payment information submitted are correct and the applicant agrees to comply with all federal and state statutes, rules, and regulations, covering broadband services and state contractual rules and regulations (including Rules 1.11 and 2.2 of the California Public Utilities Commission's Rules of Practice and Procedure).

The Commission will retain audit rights and also require that selected Experiments project sponsors provide the Commission with copies of any reports that they submit to the FCC. CASF matching fund recipients will be responsible for compliance with the requirements of the California Environmental Quality Act (CEQA). Where applicable, CASF grantees must work with the Commission to complete CEQA review prior to the disbursement of CASF funds.

In terms of accountability and federal requirements, support for Rural Broadband Experiments will be conditioned on project applicants complying with all relevant federal

²² See D.12-02-015, Appendix 1, as revised by D.14-02-018 and Resolution T-17443 (Version 8, Section 3.1.25 CEQA Compliance, at 14).

universal service fund rules including reporting and audits.²³ Primary elements of the FCC's framework for accountability follow. The Rural Broadband Order (FCC 14-98) may be consulted for details.

- File an annual report pursuant to section 54.313 of the Commission's rules by July 1st of each year as well as an interim report by November 1st following the first funding disbursement.²⁴
- Annually certify that 95 percent or more of all peak period measurements of network round trip latency are at or below 100 ms.²⁵
- Provide the number, names, and addresses of community anchor institutions to which the recipients newly began providing access to broadband service in the preceding year.²⁶
- File an annual certification that federal high-cost support provided to a carrier was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.²⁷ If an entity selected for an Experiment is designated an ETC by a state, that state must file this certification on behalf of the entity.²⁸
- Annually file build-out evidence demonstrating to which locations they have deployed facilities and how the geographic and demographic characteristics of certain rural areas affect how grantees build their networks.²⁹ Subject to compliance review, other investigations, and ten years of record retention (requirement adopted in the *USF/ICC Transformation Order*).³⁰

²³ *Tech Transitions Order*, 29 FCC Rcd at 1477, ¶ 128.

²⁴ 47 C.F.R. §§ 54.313(a), (j). All required reports and certifications must be filed in WC Docket No. 14-58. Recipients will need to continue to file these reports until the year after their support term ends. Thus, recipients of will file their last report by July 1st following their tenth year of support.

²⁵ In lieu of this requirement, any satellite providers that are winning bidders in category three may submit an annual certification that they are delivering service with a MOS of four or better.

²⁶ 47 C.F.R. § 54.313(e)(3)(ii).

²⁷ 47 C.F.R. § 54.314(b).

²⁸ 47 C.F.R. § 54.314(a).

²⁹ *Tech Transitions Order*, 29 FCC Rcd at 1466, para. 94.

³⁰ *USF/ICC Transformation Order*, 26 FCC Rcd at 17864, paras. 620-21; 47 C.F.R. § 54.320(b).

IV. COMMENTS ON DRAFT RESOLUTION

In compliance with P.U. Code § 311(g), a notice letter was emailed on August 11, 2014, informing all parties of record in R.12-10-012 and the CASF distribution list of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov/PUC/documents/>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at this same website.

The Small Local Exchange Carriers (LECs) and the Office of Ratepayer Advocates (ORA) submitted opening comments on Draft Resolution T-17452 on August 26, 2014. No party submitted reply comments. The Small LECs commented that pre-approved CASF matching funds should be subject to Commission confirmation that the project areas are actually unserved, in order to ensure that CASF funds are only used to provide broadband access to unserved areas.

ORA's comments reflected the themes of transparency, accountability, and clarity. More specifically, ORA requested that the Commission adopt transparent requirements for disbursing CASF funds to FCC Experiments grantees, including supplying specific critical information at the time of the first payment request, which at a minimum include:

- Proof of initial or continued FCC Experiments approval;
- Amount of the approved FCC grant award and payments to date;
- Approved project budget information to ensure that CASF payment requests fall within projected budgets;
- Proof of status as an eligible telecommunications carrier (ETC);
- Proof of CEQA compliance; and
- Notarized Affidavit that all the representations made in the payment information submitted are correct and the applicant agrees to comply with all federal and state statutes, rules, and regulations, covering broadband services and state contractual rules and regulations (including Rules 1.11 and 2.2 of the California Public Utilities Commission's Rules of Practice and Procedure).

ORA also commented that the Commission instruct grantees to provide a copy of the required FCC periodic (interim and annual) reports, including: to whom, where the reports need to be directed at the CPUC, and the timing by which grant recipients must file the reports with the CPUC (e.g. at the time grantees come for CASF payment or at the

time the report is filed with the FCC). Furthermore, to allow ratepayers the opportunity to examine and become aware of the FCC Experiments/CASF fund recipients, ORA recommended that all matching grant-funded projects be listed on the CASF website that clearly identifies the name of the project, location, grantee name and the amount of CASF matching funds awarded.

ORA requested clarification on how the Commission would address the possibility that an FCC Experiments/CASF fund recipient complies with applicable rules and yet have an area continue to be underserved by CASF standards. ORA noted that with regards to speed thresholds, the FCC Experiments rules require that “[a]ll recipients of Experiments funding must offer, at a minimum, at least one standalone broadband service plan in excess of 4 Mbps downstream/1 Mbps upstream to all locations within the selected census blocks.”³¹ Thus, it is unclear, for example, whether the existence of a project funded by a CASF matching grant but which provides speeds less than 6 Mbps/1.5 Mbps would preclude CASF from funding another project in the same area within the first three years. ORA urged clarification on how such projects would be handled to further the goals of CASF.

We provide the following responses, clarifications, and modifications in response to parties' comments.

In response to the Small LECs' comments, we clarify that our pre-approval of CASF matching funds for FCC Experiments projects in California is predicated on the deployment of broadband services in unserved and underserved areas of the State; hence, we do not see the need to limit the matching funds only to projects in unserved areas. We defer to the FCC in the selection and approval of projects based on the requirements and criteria for the Experiments.

We recognize the need for more accountability and transparency with respect to the use of CASF funds as ORA noted in its comments, and therefore retain certain requirements currently in place for the CASF Infrastructure Grant program area to be applicable for the FCC Experiments/CASF fund recipients. In particular, we find it reasonable to require FCC Experiments/CASF fund recipients to submit certain information that ORA identified when the recipient seeks its first CASF payment. We shall also adopt the reimbursement process currently in place for the CASF Infrastructure Grant program

³¹ Cited CAF R&O, *supra* note 1, at ¶ 25.

area, which allows payment to CASF recipient on a progress billing basis at 25%, 50%, 75%, and 100% of project completion with supporting invoices and other documentation showing the expenditures incurred for the project.³² An FCC Experiment/CASF fund recipient may seek payment of the 10% matching fund from CASF based on the project's construction milestones. We understand that the build-out requirements under the FCC Experiments require recipients to offer service meeting the public service obligations to 100% of the number of required locations by the end of the fifth year. This implies a five-year project completion schedule. Thus, any California Experiments receiving CASF matching funds must complete all construction activity within five years and request all payments for no more than a five year period, starting from the date when the project receives federal grant approval.

We agree with ORA that information regarding the projects funded under the FCC Experiments with matching CASF funding should be publicly available. We will require FCC Experiments/CASF funds recipients to provide CD staff with information regarding the project as ORA noted that CD staff can then post on our website.

Regarding the possibility for FCC Experiments/CASF funded project areas to remain underserved, as ORA noted, we will exempt those areas from the three-year prohibition for funding other CASF projects. We believe this is reasonable given the limited amount of CASF matching funds at stake and the five-year build-out requirements under the FCC Experiments.

V. FINDINGS

1. It is reasonable for the Commission to pre-authorize CASF matching funds for any Rural Broadband Experiments that the FCC authorizes in California.
2. The purpose of the FCC Experiments is to expand broadband in high cost areas and providing CASF matching funds is an opportunity for filling digital gaps in California.
3. California participation in the FCC Experiments would forward CASF goals towards approving funding for infrastructure projects by December 31, 2015 that

³² See D.12-02-015, Appendix 1, as revised by D.14-02-018 and Resolution T-17443 (Version 8, Section 4.2.9.2 Payment, at 24).

will provide broadband access to no less than 98 percent of households in California.

4. The FCC and the CASF have different application deadlines, with federal applications due on October 14, 2014 and the CASF timeline requiring applications to be submitted beginning on December 1, 2014.
5. Cost-effectiveness is the primary criterion that the FCC will use to select Experiments; providing CASF matching funds may make California projects more competitive as it will reduce the federal contribution and thus be more cost-effective for the FCC.
6. This pre-authorized matching grant from the CASF Infrastructure Grant Account is contingent on the FCC allocating federal monies to a California project applicant(s) that has requested state matching monies for its Rural Broadband Experiments project, and if no federal funds are directed towards California then this Resolution would not apply.
7. The Small Local Exchange Carriers (LECs) and the Office of Ratepayer Advocates (ORA) submitted opening comments on Draft Resolution T-17452 on August 26, 2014. No party submitted reply comments.

THEREFORE, IT IS ORDERED that:

1. The Commission shall award up to ten percent from the CASF Infrastructure Grant Account as matching funds to each project approved under the FCC Rural Broadband Experiments in California.
2. Interested applicants seeking matching funds should reference this resolution in their application to the FCC and explicitly reduce their federal contribution request up to ten percent.
3. Projects will follow the FCC process and calendar, not the CASF process. However, CASF payment requests should be submitted with invoices and supporting documentation to the Director of the Communications Division as described herein. The Commission will retain audit rights and require copies of any reports that California FCC grantees submit to the FCC.
4. CASF grantees will be responsible for complying with CEQA. Where applicable, CASF grantees must work with the Commission to complete CEQA review prior to the disbursement of CASF funds. Grantees must indicate their project has obtained CEQA approval with the first payment reimbursement requests

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 11, 2014.

PAUL CLANON
Executive Director

ATTACHMENT 1

FCC RURAL BROADBAND EXPERIMENTS FACT SHEET & FUNDING INFORMATION

REL. JULY 14, 2014 (FCC 14-98)

On July 14, 2014, the FCC released its Rural Broadband Experiments (“Experiments”) Order and Further Notice of Proposed Rulemaking (FNPRM). The FCC received over 1,000 expressions of interest requesting \$11 billion in funding. This document summarizes the Order and FNPRM. Comments are due 30 days after date of publication in the Federal Register, with reply comments due 15 days later.

Purpose of Experiments: “In the January 2014 *Tech Transitions Order*, the Commission adopted an Experiments to test how tailored economic incentives can advance the deployment of next generation networks, both wireline and wireless, in rural, high-cost areas, including Tribal lands.” “We will use these rural broadband Experiments to explore how to structure the Phase II competitive bidding process in price cap areas and to gather valuable information about interest in deploying next generation networks in high-cost areas.” “We expect these Experiments to provide critical information regarding which and what types of parties are willing to build networks that will deliver services that exceed our current performance standards for an amount of money equal to or less than the support amounts calculated by the adopted Phase II Connect America Cost Model.” “[W]e note that the Commission’s goal is not to fund as many Experiments as possible, but rather to advance implementation of the Connect America Fund.... Instead, our goal is to quickly gather data from submitted formal proposals about various technologies in different geographic areas to inform our judgment as we address important policy issues regarding how to maintain universal access in rural areas during technology transitions.”

Working with Other Governmental Entities: “In the *Technology Transitions Order*, we noted our desire to work cooperatively with other governmental entities to advance our shared objectives of ensuring access to broadband services. We noted that we were “particularly interested in how States, localities, Tribal governments, and other non-federal governmental bodies can provide assistance, through matching funds, in-kind contributions or other regulatory approvals and permits, to improve the business case for deployment of next generation networks.” We will be monitoring the progress of the selected projects and hope that they may serve as case studies for best practices in how coordinated governmental action can improve the business case for the delivery of broadband services in rural, high-cost areas. We also seek comment in the attached Further Notice of Proposed Rulemaking regarding measures we could take in the Phase II competitive bidding process to create incentives for state and other governmental entities to contribute funding to support the extension of broadband-capable networks.”

Budget: \$100 million budget for funding Experiments “ in price cap areas focused on bringing robust, scalable broadband networks to residential and small business locations in rural communities that are not served by an unsubsidized competitor that offers voice and Internet access delivering at least 3 Mbps downstream/768 kbps upstream....[T]he funding will be available to serve locations in both high-cost and extremely high-cost areas, thereby advancing our implementation of both Phase II and the Remote Areas Fund.”

\$100 Million will be divided in the following three categories

- 1) \$75 million for projects in high cost areas offering at least one plan providing speeds of 25mbps down/5 mbps up to all locations within a selected census block, provide usage and pricing that is reasonably comparable to usage and pricing available for comparable wireline offerings (i.e., those with similar speeds) in urban areas, and latency no greater than 100 milliseconds (ms).
- 2) \$15 million for projects in high cost areas offering at least one plan providing speeds of 10/1, along with a usage allowance of at least 100 GB, no more than 100 ms of latency, and meet the reasonable comparability benchmarks for the pricing of voice and broadband.
- 3) \$10 million for projects in extremely high cost areas providing speeds of 10/1

Funding Limits

- \$20 million overall per entity, including affiliates
- \$20 million per project for Category 1 projects
- \$7.5 million per project for Category 2 projects
- \$5 million per project for Category 3 projects

Support Term: Ten years of recurring support in 120 equal monthly installments, not one-time support.³³

Deadline to Submit Formal Applications: October 14, 2014

Eligible Applicants: An eligible telecommunications carrier (ETC) or an entity that can confirm obtaining its ETC designation 90 days after public notice of the winning bids.³⁴ A state agency has 90 days to act on an ETC application. If it has not done so by then, an applicant may request ETC designation from the FCC for purposes of the Experiments. (§23)

Satellite Provider Eligibility: Satellite providers are eligible to apply for extremely high-cost locations but must demonstrate it can provide voice service that meets a Mean Opinion Score (MOS) of four or greater.

Eligible Areas: Price cap areas in rural communities not served by an unsubsidized competitor that offers voice and cable or fixed wireless Internet service access delivering at least 3 Mbps downstream and 768 kbps upstream, as indicated on the National Broadband Map (data as of June 2013), with a cost per location threshold exceeding the CAF Phase II threshold (\$52.50) but below the extremely high-cost threshold (\$207.81). Applicants are allowed to submit projects at both the census tract and census block level, in line with comments the CPUC submitted in March 2014, noting that rural census tracts may be very large. No census block will receive support from more than one proposal.

³³ The FCC will offer an accelerated disbursement opportunity for winning bidders that commit to deploying to at least 25% of locations within the first 15 months. The FCC will advance 30% of support upfront for entities that elect this option; the remaining 70% will be provided in 120 equal monthly installments over the 10-year term. Parties that elect this option must obtain a Letter of Credit for the 30% advance payment before funding is authorized.

³⁴ The FCC may consider a waiver of the 90-day deadline (not of the ETC requirement) if the applicant demonstrates it has engaged in good faith to obtain ETC designation (§22 and footnote 52). Additionally, a state agency has 90 days to act on an ETC application. If it has not done so by then, an applicant may request ETC designation from the FCC for purposes of the Experiments. (§23)

Selection Methodology

Cost effectiveness: for Categories 1 and 2, requested dollars per location divided by model-based support per location;³⁵ for Category 3 lowest cost per location.

Credit for Service to Tribal Lands: a 25 percent credit for Experiments that serve only Tribal Lands.³⁶ The credit will effectively reduce the bid amount by 25 percent when ranked against other bids.

Tie breaker: The FCC doesn't anticipate scoring results to create ties among applications to serve the same areas, but if that happens, it will select the project that serves the most locations.

Additional Requirements on Applicants

1. An awardee must offer both fixed voice and broadband Internet access service.
2. An awardee must offer service to an entire census block, even if only receiving support for part of it. (§15)
3. In keeping with CAF Phase II rules, ETCs awarded support under rural broadband Experiments will cease to receive legacy phase-down support upon receiving federal high-cost support for the Experiments. (§20)
4. All recipients of Experiments funding must offer, at a minimum, at least one standalone broadband service plan in excess of 4 Mbps downstream/1 Mbps upstream to all locations within the selected census blocks, "with a specific amount of usage at a price no higher than the reasonable comparability benchmarks for voice service and broadband service, and that meets defined quality standards."³⁷ (§25)
5. The FCC expects all recipients to include community anchor institutions in the network planning stages and requires them to report on the community anchor institutions that newly gain access to fixed broadband service in their project areas, in line with comments submitted by the CPUC in March 2014. (footnote 121)
6. By the end of year three, recipients must offer service requirements for each category to at least 85 percent of locations and 100 percent of locations by the end of year five. (§74)
7. Recipients must comply with the terms and conditions of rural broadband Experiments support for the full 10-year support term, including retaining records for the term. (§74)

³⁵ FCC evaluators will divide the total amount of support requested for each proposal by ten to compare proposals to annual model-based support amounts. Then they will calculate each proposal's requested support per location and divide that number by the model-based support per location. Using these ratios, evaluators will rank the proposals from the lowest to highest in each category, where the lowest ratio indicates the greatest cost-effectiveness, and select those projects with the lowest ratio. (§23)

³⁶ The FCC will release a list of eligible census blocks no later than July 29, 2014.

³⁷ The current reasonable comparability benchmark for standalone fixed voice services is \$46.96. The Bureau expects to adopt the reasonable comparability benchmark for fixed broadband services in the coming months; for purposes of the rural broadband Experiments, we establish an interim presumption for 10 Mbps downstream/1 Mbps upstream service that an entity can charge no more than \$85 for fixed broadband service, pending adoption of a final benchmark. We expect that usage would be available in both peak and non-peak hours. (see footnote 58, p. 11)

8. Applicants must submit proposals containing general information outlined in paragraphs 45-49.
9. Recipients must file an interim report on November 1 after they receive their first disbursement and annual reports by July 1 of each year after, which include build out reports and certifying that 95 percent percent or more of all peak period measurements of network round trip latency are at or below 100 ms.

FCC Cost-Effectiveness Criterion for Selecting Experiments Projects

“Based on further consideration and our review of the record, we conclude that we should select winning bidders based on objective measures of cost-effectiveness, rather than using a more complicated scheme of weighting or scoring applications on multiple dimensions.” ¶31.

“We conclude that we should use cost-effectiveness to select applications, and we will calculate this measure in two ways for different categories of applications. As detailed below, for those applications proposing to serve census blocks identified by the Connect America Cost Model as eligible for Phase II support, we will compare requested amounts to model-based support amounts. For applications proposing to serve only census blocks the model identifies as “extremely high-cost,” for which there is no model-determined level of support, we will select applications based on the lowest-cost per location.⁶² We find that using these objective, straightforward, and easily measurable criteria will best meet our goals to efficiently distribute support in these Experiments and to test on a limited scale a competitive bidding process that can be implemented quickly to inform our decisions regarding how to design the Phase II competitive bidding mechanism. **We sought comment in the *Tech Transitions FNPRM* on ways to leverage non-Federal governmental sources of funding, but the record was insufficient for us to determine how best to implement measures that would create incentives for non- Federal governmental entities to assist in advancing universal service.** We seek more focused comment in the attached FNPRM on the use of bidding credits in the Phase II competitive bidding process that will occur after the offer of model-based support to price cap carriers.” ¶32.

“We conclude that we should use cost-effectiveness – defined as requested dollars per location divided by model-based support per location – to select applications in categories one and two.” ¶33.

“For purposes of evaluating cost-effectiveness in comparison to the model, among applicants in each of the first two Experiments categories, we will calculate the ratio of requested support per location to model-based support per location in the census blocks the applicant proposes to serve. First, we will divide the total amount of support requested for each proposal by ten so we can compare proposals to annual model-based support amounts. Then we will calculate each proposal’s requested support per location and divide that number by the model-based support per location. Using these ratios, we will rank the proposals from the lowest to highest in each category — where the lowest ratio indicates the greatest cost-effectiveness — and select those projects with the lowest ratio within the \$75 million budget for the first category of projects, and within the \$15 million budget for the second category of projects.” ¶35.

“For purposes of evaluating proposals in category three, we will calculate the cost per location, and rank these applications on a dollar requested per location basis, from lowest to highest. We will select projects based on the lowest cost per location, until the budget is exhausted.” ¶37.

For Tribal lands however, the FCC Order provides bidding credits: “Recognizing unique challenges in serving Tribal lands, we provide a bidding credit for entities that propose projects that will serve only Tribal census blocks, which will have the effect of making such projects more cost-effective relative to proposals from other entities.” ¶31.